

August 30, 2017

Secretariats of  
The Committee on Payments and Market Infrastructures  
The International Organization of Securities Commissions

**Comments on the Consultative Report: *Harmonisation of critical OTC derivatives data elements (other than UTI and UPI) - third batch*,  
issued by the Committee on Payments and Market Infrastructures  
and the Board of the International Organization of Securities Commissions**

Dear Sirs/Madams:

We, the Japanese Bankers Association (JBA), would like to express our gratitude for this opportunity to comment on the consultative report: *Harmonisation of critical OTC derivatives data elements (other than UTI and UPI) - third batch*, issued on June 27, 2017 by the Committee on Payments and Market Infrastructures (CPMI) and the Board of the International Organization of Securities Commissions (IOSCO).

We would like to express our support for the work on harmonisation of OTC derivative data elements mainly led by the CPMI-IOSCO to establish a stable and effective framework amid situations where data elements are being reported based on various definitions and formats across jurisdictions.

In light of this, before introducing and establishing a framework, we respectfully request the CPMI-IOSCO to give due consideration to implement minimum requirements so as to avoid any undue cost being imposed on financial institutions such as for systems development.

The following comments are provided from practical viewpoints as a reporting party of OTC derivatives transactions data, based on the current practices established in financial institutions. We expect that our comments will be fully considered in your further discussions on this issue.

**[General Comments]**

Data elements to be reported should be narrowed down to those necessary for supervision by national authorities, thereby avoiding excessively complicated reporting.

The more the number of data elements has to be reported and the more complicated the contents of the reports become, the reports would vary in quality depending on reporting entities, leading to a reduction in accuracy of data collected at swap data repositories (SDRs). We believe that identifying and narrowing down data elements to those necessary for supervision by national authorities would improve accuracy of reporting data, and, as a result, more useful and informative inputs would be provided to authorities.

### **[Specific Comments]**

#### **2.3 Portfolio containing non-reportable component:**

(Comments)

We assume that situations where a response to this is “Yes” (i.e., there are cases where OTC derivatives transactions covered by collateral is not reported) would increase. Therefore, the usefulness of including this in the data elements should be carefully considered by taking into account costs arising from reporting this element.

(Rationale)

In some jurisdictions, authorities to be reported differ depending on the type of transactions (securities-related derivatives/interest-rate-related derivatives), or some OTC transactions are not included in the scope of covered products (e.g., FX-related derivatives). Therefore, there would be a considerable number of cases where OTC derivatives transactions covered by collateral are not included in the scope of reporting.

#### **2.4–2.28 Data elements related to margins**

(Comments)

The definition of “margin required to be collected/posted” (Sections 2.17~2.24) should be clarified.

Moreover, the usefulness of reporting these elements should be sufficiently assessed from cost and benefit perspectives.

(Rationale)

It is unclear whether “margin required to be collected/posted” refers to “margin which is already agreed with a counterparty but has not yet been transferred,” or “the amount that needs to be called (margin calls) to a counterparty based on the calculation by reporting party.”

Furthermore, differences exist in regulatory requirements related to settlement timing of collateral (e.g., T+0, T+1, T+2) across jurisdictions. In addition, the base time for reporting is not harmonised across jurisdictions mainly due to time differences, different national holidays, and different transaction reporting deadline defined by respective jurisdictions. Given these

situations, it appears that sufficient assessment has not been carried out to ensure that benefits of reporting such detailed elements as “margin required to be collected/posted” in addition to the data elements of margin already collected/posted, would justify its costs.

### **2.31–2.35 Data elements related to counterparty rating trigger**

(Comments)

It should be noted that reporting of data elements related to counterparty rating (Sections 2.31~2.35) would require a considerable amount of time.

(Rationale)

Incremental collateral and automatic termination provision which reflects a credit rating of a counterparty specified in Sections 2.31~2.35 are items set out in agreements such as ISDA Master Agreement and Credit Support Annex (CSA). In many cases, however, data is not retained in an electronic form. If these items are included in reporting data elements, entities need time to convert existing data to reportable electronic data.

### **2.36 Clearing obligation in the jurisdiction of the reporting counterparty**

(Comments)

For the data element, “Clearing obligation in the jurisdiction of the reporting counterparty,” we suggest revising this to “Centrally cleared transaction,” or allowing reporting this item instead, provided that the supervisory objective can be met.

(Rationale)

It is necessary for a reporting party to properly identify not only its own legal status but also that of its counterparty and establish a complicated assessment logic in order to appropriately report “whether the reported transaction belongs to a class of OTC derivatives that has been declared subject to the clearing obligation.”

To address complicated cross border transactions, regardless of whether central clearing is mandated by laws and regulations, there is also market practice to clear transactions qualifying for central clearing through central counterparties (CCPs). Given this, we suggest considering the revision to the element “Clearing obligation in the jurisdiction of the reporting counterparty” to “Centrally cleared transaction,” or allowing alternatively reporting this item.